

Council on Postsecondary Education  
April 18, 2013

## 2013-14 Tuition and Mandatory Fee Recommendation

*The Council staff used a collaborative process to develop its 2013-14 tuition and mandatory fee ceiling recommendation, which included sharing information and engaging in discussions with campus presidents and chief budget officers, Council members, student groups, and the governor's office.*

*Based on feedback from multiple stakeholders, including a strong recommendation from the governor and his staff, there is a general sentiment that increases in resident, undergraduate tuition and mandatory fees should be modest in academic year 2013-14 to support a necessary balance between students' and families' ability to pay for college and institutional funding to support continued progress toward achieving the goals of HB1 and the Strategic Agenda.*

**ACTION: It is recommended that the Council approve a 2013-14 resident, undergraduate tuition and mandatory fee ceiling that equates to a maximum base rate increase of no more than three percent for KCTCS institutions, the comprehensive universities, and the research universities.**

**It is also recommended that the Council maintain the current floor for nonresident, undergraduate tuition and mandatory fees of two times the resident, undergraduate rate.**

**Finally, it is recommended that the public universities be allowed to submit for Council approval market competitive resident and nonresident tuition and mandatory fee rates for graduate and online courses.**

These recommendations are consistent with Council-approved Tuition and Mandatory Fee Policy objectives, including funding adequacy, shared benefits and responsibility, affordability and student access, attracting and importing talent, and effective use of resources.

### 2013-14 Resident, Undergraduate Tuition and Mandatory Fees

The following table contains staff recommended dollar ceilings by sector for 2013-14 resident, undergraduate tuition and mandatory fees.

**2013-14 Resident, Undergraduate Tuition and Mandatory Fees  
Dollar Ceilings by Sector (@ 3% Increase)**

<b>Sector Percent Ceiling Institution</b>	<b>2012-13 Tuition and Fee Base Rates <sup>(a)</sup></b>	<b>2013-14 Tuition and Fee Dollar Ceilings <sup>(a)(d)</sup></b>	<b>Dollar Increase at Ceiling</b>
<b>Increase up to 3%</b>			
KCTCS	\$140 per credit hour	\$144 per credit hour	\$4 per credit hour
KCTCS (FTCR)	\$4,200	\$4,320	\$120
<b>Increase up to 3%</b>			
EKU	\$7,320	\$7,540	\$220
KSU <sup>(b)</sup>	\$254 per credit hour	\$261. <sup>50</sup> per credit hour	\$7. <sup>50</sup> per credit hour
KSU (FTCR)	\$6,858	\$7,060	\$202
MoSU <sup>(c)</sup>	\$271 per credit hour	N/A	N/A
MoSU (FTCR)	\$7,152	\$7,367	\$215
MuSU	\$6,840	\$7,045	\$205
NKU	\$7,872	\$8,108	\$236
WKU	\$8,332	\$8,582	\$250
<b>Increase up to 3%</b>			
UK – Lower Division	\$9,676	\$9,966	\$290
UK – Upper Division	\$9,956	\$10,255	\$299
UofL	\$9,466	\$9,750	\$284

**Notes:**

(FTCR) = Full Time Comparison Rate. For institutions that charge by the credit hour, an annual full-time comparison rate, based on a student taking 30 credit hours per year, is provided.

<sup>(a)</sup> Neither AY13 base rates, nor AY14 dollar ceilings, include Special Use Fees.

<sup>(b)</sup> KSU's \$254 base rate in AY13 was assessed on 1-12 credit hours per semester. Hours 13 and above were discounted by 50%. KSU is planning to continue using this method of price assessment in AY14.

<sup>(c)</sup> MoSU's \$271 base rate in AY13 was assessed on 1-12 credit hours per semester. Hours 13 and above were discounted by 60%. MoSU is planning to transition from a per-credit-hour pricing approach to a full-time flat rate pricing structure in FY14. This change is planned to be revenue neutral.

<sup>(d)</sup> To calculate dollar ceilings, multiply 2012-13 base rates (or FTCRs in the case of institutions that charge by the credit hour) by one plus the sector increase and round to the nearest whole dollar. Recommended ceilings may deviate slightly from this calculation to accommodate differences across institutions in ways rates are assessed.

### **Nonresident, Undergraduate Tuition and Mandatory Fees**

The current floor for nonresident, undergraduate tuition and mandatory fees is two times the resident, undergraduate rate. The staff recommends that the Council maintain the current floor. Any institution desiring to assess a nonresident, undergraduate rate that is less than two times the resident, undergraduate rate is expected to request an exception to this policy when it submits its 2013-14 tuition and mandatory fee rates for final Council action.

### **Graduate and Online Tuition and Mandatory Fees**

The staff recommends that the public universities be allowed to submit for Council approval market competitive resident and nonresident tuition and mandatory fee rates, as approved by their respective boards, for graduate and online courses.

### **Budgetary Impact of Fixed Cost Increases**

It is estimated that Kentucky's comprehensive universities and KCTCS will incur unfunded increases in Kentucky Employee Retirement System (KERS) and Kentucky Teacher Retirement System (KTRS) employer-paid retirement contributions and health insurance premiums, totaling \$5.1 million in 2013-14 (see attached). In addition, other postsecondary institution fixed costs—such as utilities, contractual obligations, workmen's compensation, and unemployment compensation—are expected to increase by \$56.4 million in 2013-14.

The Council staff has recommended a maximum tuition and fee rate ceiling of three percent for all public postsecondary sectors and institutions. As illustrated by the attachment, when the proposed increase is assessed uniformly across all categories of students (i.e., every academic level, residency, and full-time or part-time status) in an assumed no-growth student enrollment environment, campus officials estimate that the proposed rate increase will generate about \$31.5 million in additional tuition and fee revenue, net of institutional scholarships and waivers, in fiscal year 2013-14.

Based on official campus estimates, anticipated increases in net tuition and fee revenue will not be sufficient to offset fixed cost increases in FY14. As can be seen in the attachment, the projected \$31.5 million increase in net tuition and fee revenue will cover only about half (51.3 percent) of the estimated \$61.4 million increase in fixed costs, resulting in an estimated budget shortfall of \$29.9 million.

## **2013-14 Rate Proposals**

It is anticipated that institutions will submit their proposed tuition and fee rates for Council approval at the June 20 meeting. This will allow additional time for campus officials to share tuition and fee ceilings with various stakeholders and obtain input from their respective boards prior to setting tuition.

The staff will recommend for Council approval tuition and fee rates that meet the following criteria: (a) increases in resident, undergraduate tuition and mandatory fees that are at or below the approved ceiling; (b) nonresident, undergraduate rates that are at least two times the resident, undergraduate rate; (c) proposed exceptions to the nonresident rate floor that have been previously approved by the Council and are in line with 2012-13 rates; and (d) market competitive tuition and fee rates for graduate and online courses.

Staff preparation by Bill Payne, Shaun McKiernan, and Scott Boelscher